# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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## FISCAL IMPACT STATEMENT

**LS 7455** **NOTE PREPARED:** Feb 3, 2003
**BILL NUMBER:** HB 1640 **BILL AMENDED:**

**SUBJECT:** Medicaid Waiver for Pediatric Hospice Care.

**FIRST AUTHOR:** Rep. Hasler **BILL STATUS:** CR Adopted - 1st House
**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL** **IMPACT:** State
**DEDICATED**
X **FEDERAL**

**Summary of Legislation:** This bill requires the Office of Medicaid Policy and Planning (OMPP) to apply for a Medicaid waiver concerning children's pediatric hospice care services that coordinates and integrates health care, social services, and support services needed by families to care for a child with a life threatening health condition.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** *Summary:* This bill requires OMPP to apply for and implement a Medicaid waiver for children's pediatric hospice care services. This is anticipated to require increased expenditures in the short-term for waiver administration and development and systems changes. The longer-term impact is expected to be cost neutral with some potential for reduced expenditures in the Medicaid program.

Increased state share of expenditures to develop the waiver are estimated by OMPP to be $10,000 per year for five years, plus about $33,750 in one-time systems modifications.

*Background Information -*

*Cost of Hospice Care:* Although a precise estimate of the impact in Indiana is not possible at this time, several studies have been conducted in recent years investigating the potential savings in the Medicare Program from the use of hospice and advance directives at the end of life (Medicare has had a hospice option since 1982). Six studies on cost savings from hospice were analyzed and compared in a study by Dr. Ezekiel J. Emanuel. In that study, Emanuel concluded that there was "general agreement among the studies that during the last month or less of life, including the terminal hospitalizations, hospice yields cost savings of 25% to 40%, with a few studies indicating significantly higher or lower savings. When assessed over the last six months of life, the cost savings decrease to 10% to 17%, and then decrease further to 0% to 10% when

assessed over the last 12 months of life." Dr. Emanuel further stated that "These studies all indicate that hospice and advance directives do not increase health care costs. At the very worst, the cost of care for patients who use hospice or advance directives is the same as for patients who receive conventional care." (Emanuel, 1996)

*Pediatric Hospice Care:* Hospice care for children is different from adult hospice care in at least two ways: parents tend to be more reluctant to give up entirely on aggressive therapies and curative treatment in favor of palliative care, and the belief exists that children still need to work toward developmental milestones in spite of their illness. While, perhaps, being more expensive than adult hospice care for these reasons, cost effectiveness (i.e., budget neutrality) must still be demonstrated for a Medicaid waiver to be approved by the federal Centers for Medicare and Medicaid Services (CMS). Cost effectiveness would be based on the premise that hospice services will decrease more costly hospital admissions and more costly hospital and emergency stays.

The state of Florida has submitted a request to CMS for a demonstration waiver for pediatric hospice services. Florida's program will provide the following services in addition to the full array of regular Medicaid services for children: in-home respite care; family, group, and individual counseling; bereavement counseling; support therapies; palliative care consultation; hospice in-home nursing and personal care; volunteer support; and joint collaborative care planning.

*Administrative and Development Cost Issues:* According to OMPP, personnel with the Florida and Utah Medicaid programs have stated that demonstrating budget neutrality is especially difficult for pediatric hospice services because the children tend to still receive acute care services and because there are so few children receiving hospice services that little is known about the cost. For this reason, Florida has had to allocate about $80,000 for an outside contractor to develop the budget neutrality piece. Utah is reported to have one dedicated staff person working only on the demonstration waiver. This type of expense would be expected to be required in Indiana's waiver development process, as well. OMPP estimates that is would need to set aside $20,000 per year over the course of the 5-year demonstration project for an independent consultant. The state share of this amount with 50% federal reimbursement would be about $10,000 per year.

OMPP is also suggesting that there would be $135,000 required for computer system changes. The state share of this expenditure with 75% federal reimbursement would be $33,750. According to OMPP, the system changes would provide for the necessary ad hoc reporting to provide the budget neutrality reports required by CMS, as well as the development of billing codes and systems edits to permit payment for palliative care and curative treatment for this population. Whether any required systems expenses would occur within existing systems contracts or as amendments outside existing contracts is not known at this time.

**Explanation of State Revenues:** See *Explanation of State Expenditures* regarding federal reimbursement of state costs in the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Michelle Stein-Ordonez, OMPP, (317) 233-1956; Emanuel, Ezekiel J., "Cost Savings at the End of Life: What Do the Data Show?", *Journal of the American Medical Association*, Vol. 275, No. 24, June 26, 1996.

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